



**REDEVELOPMENT AGENCY**  
***STAFF REPORT***

***MEETING DATE: October 22, 2003***

**SEPTEMBER 2003 FINANCE & INVESTMENT REPORT**

**RECOMMENDED ACTION:**

Accept and File Report

**EXECUTIVE SUMMARY:** Attached is the monthly Finance and Investment Report of the Redevelopment Agency of the City of Morgan Hill for the month of September 2003. The report covers activity for the first three months of the 2003/2004 fiscal year. A summary of the report is included on the first page for the Board's benefit.

The Redevelopment Agency monthly Finance and Investment Report is presented to the Agency Board and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity of the Redevelopment Agency.

**FISCAL IMPACT:** As presented.

**Agenda Item # 1**

**Prepared By:**

**Finance Director**

**Submitted By:**

**Executive director**

**REDEVELOPMENT AGENCY OF  
THE CITY OF MORGAN HILL**

**Monthly Financial and Investment Reports**

**September 30, 2003 – 25% Year Complete**



**CITY OF MORGAN HILL  
REDEVELOPMENT AGENCY**

**Prepared by:**

**FINANCE DEPARTMENT**



**REDEVELOPMENT AGENCY OF THE CITY OF MORGAN HILL, CALIFORNIA**  
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2003/04  
FOR THE MONTH OF SEPTEMBER 2003 - 25% OF YEAR COMPLETE

**Revenues**

Through September 30, the Redevelopment Agency received \$129,521 in property tax increment revenues. Most property tax increment revenues are received in December and April. The Redevelopment Agency, as of September 30, 2003, has collected \$100,000,000 in tax increment revenue under the original plan and has collected \$56,153,742, net of pass-through obligations to other agencies, toward the plan amendment cap of \$147,000,000. Since the \$100 million tax increment cap for the original plan was reached during 1999/2000, all tax increment revenues collected during 2003/2004 were collected under the plan amendment.

An amount of \$31,916 in interest earnings has been received through September. Additional interest earnings for the quarter ending September will be posted in October. Other revenues represent charges for services and total \$3,162.

**Expenditures**

Total Redevelopment Agency Capital Projects expenditures and encumbrances equaled \$23,959,514 and were 60% of budget. Of this total, \$14,599,527 represented encumbrances for capital projects and other commitments. Expenditures for administrative costs for employee services, supplies, and contract services were 23% of budget. During July, the Agency made a \$2.55 million installment payment towards the purchase of the Sports Complex property. During July, the Agency also spent approximately \$3.5 million for the purchase of the Courthouse Facility property. All Capital Projects expenditures during 2003/04 have used monies collected under the plan amendment.

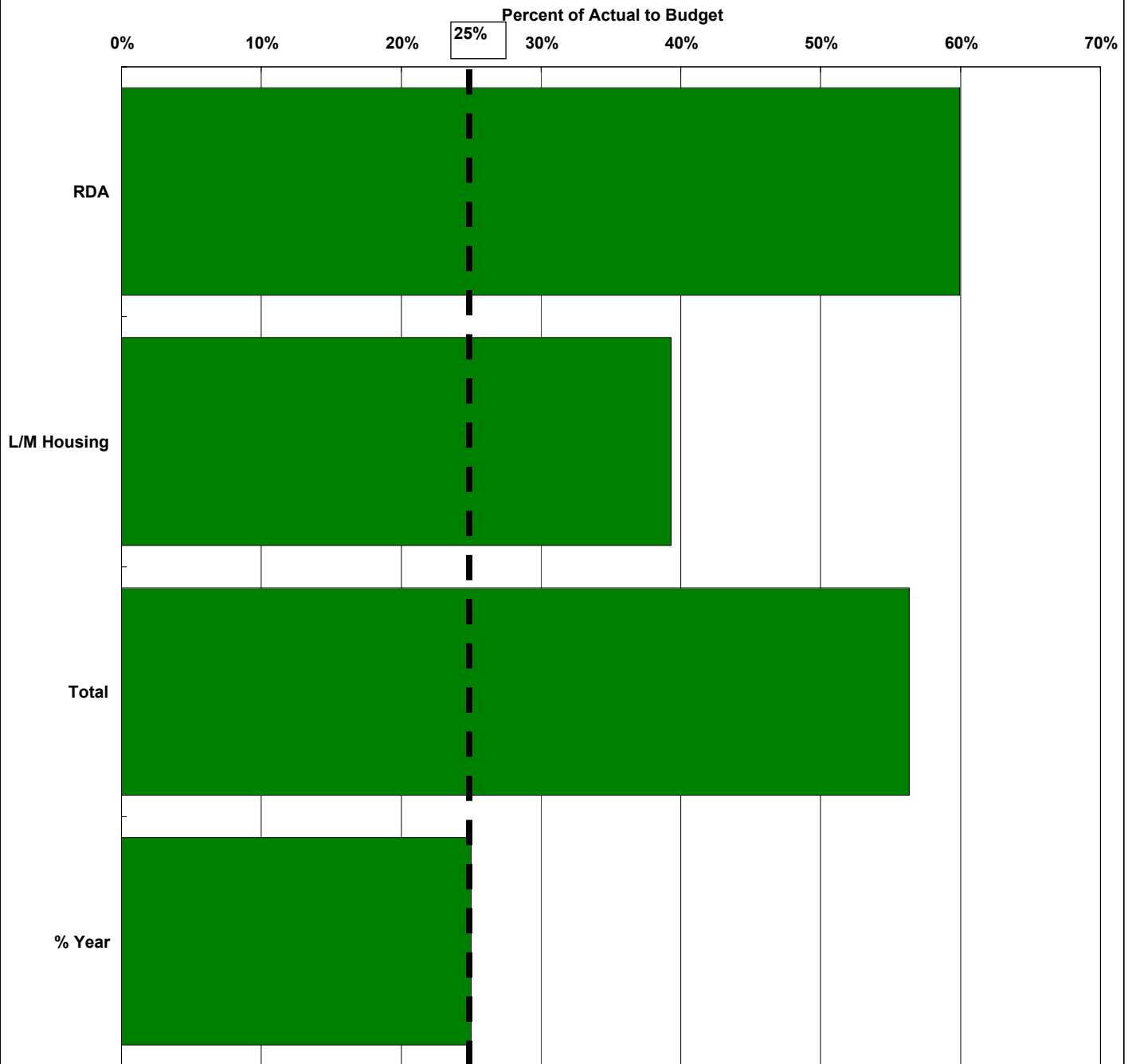
Budgeted expenditures plus encumbrances for Housing were at 39% of the budget for a total of \$3,356,323. Of this total, \$40,739 represented project encumbrances. During July, the Agency paid approximately \$3 million for the purchase of the Royal Court Apartments. Although certain loans and grants for various housing loan and grant programs have been committed, the related funds have not been drawn down by the recipients and, hence, are not reflected in the expenditures. All of the 2003/04 housing related expenditures have been funded with tax increment collected under the plan amendment.

**Fund Balance**

The unreserved negative fund balance of (\$5,261,425) for the Capital Projects Fund at September 30, 2003, reflected the large amount of current contract encumbrances, not yet expended, and consisted entirely of monies collected under the plan amendment. The unreserved fund balance included future obligations to pay an additional \$3.6 million for the Courthouse Facility, an additional \$3,250,000 for purchase of the Gunderson property, and \$1.61 million for the Lomanto property should the Agency agree to execute its option to purchase in accordance with the agreement. If all these future commitments are subtracted from the (\$5,261,425), the remaining unreserved fund balance at September 30 would be a negative (\$13,721,425). However, these commitments are expected to be paid out over the next 2 to 3 years. Staff will bring a short-term borrowing plan to the Board in the near future to finance the 2003/04 cash flow needs, as provided for in the current 2003/04 budget. The Capital Projects Fund cash balance at September 30 was \$9,351,401.

The unreserved fund balance of \$2,920,791 for the Housing Fund at September 30 consisted of funds all collected under the plan amendment.

# Redevelopment Agency YTD Expenditures

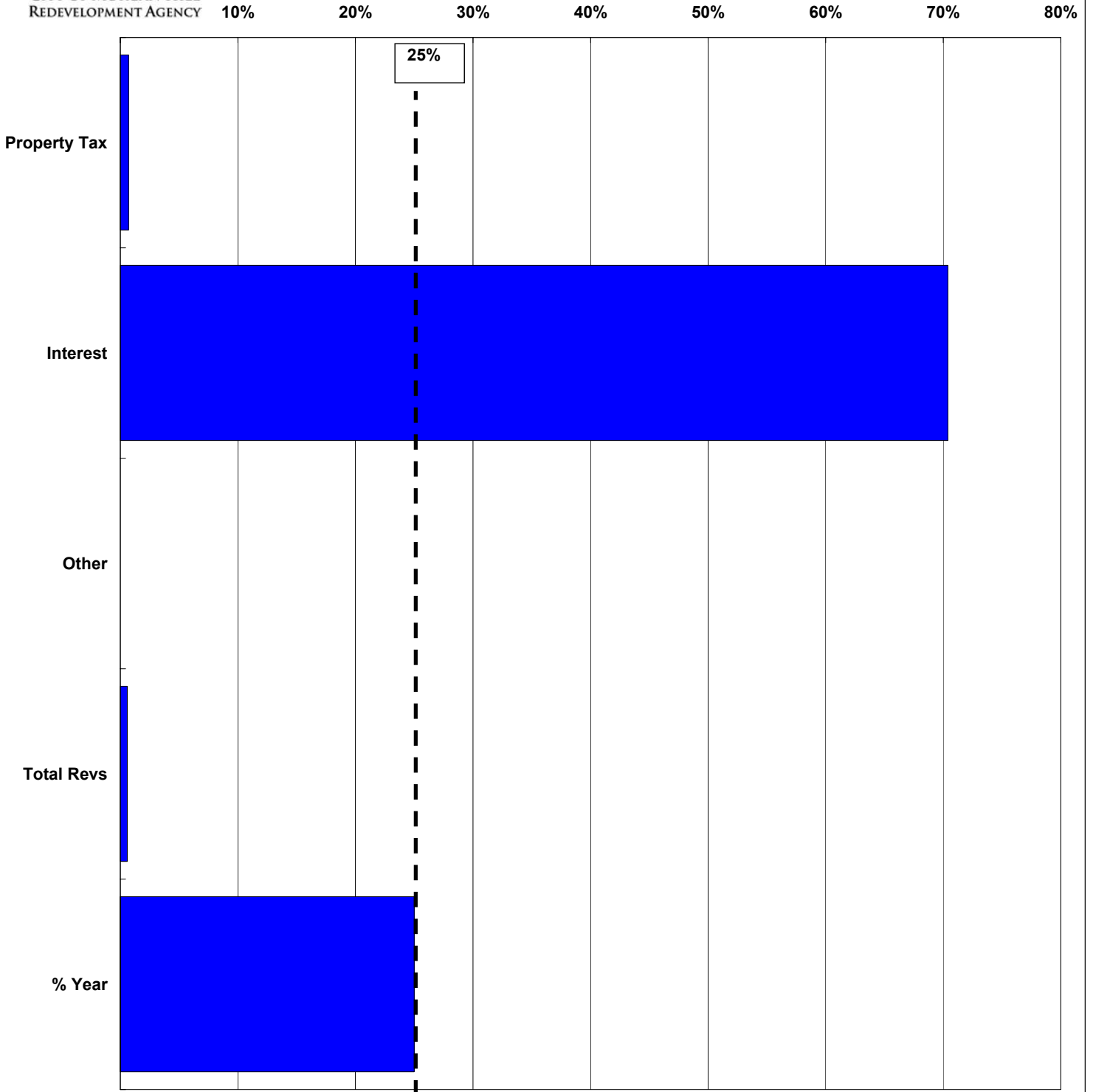


Expenditure Category	Budget	Actual Plus Encumbrances	% of Budget
CAPITAL PROJECTS	\$39,964,615	\$23,959,514	60%
HOUSING	8,538,767	3,356,323	39%
TOTALS	\$48,503,382	\$27,315,837	56%



# Redevelopment Agency YTD Revenues

Percent of Actual to Budget



REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
PROPERTY TAXES	\$17,877,658	\$129,521	1%	\$260,669	-50%
INTEREST INCOME/RENTS	\$45,364	\$31,916	70%	\$46,260	-31%
OTHER REVENUE	\$23,536,663	\$3,162		\$3,970	-20%
TOTALS	\$27,373,112	\$164,599	1%	\$310,899	-47%



Redevelopment Agency  
 Fund Balance Report - Fiscal Year 2003/04  
 For the Month of September 2003  
 25% of Year Complete

Fund No.	Fund	Unaudited Fund Balance 06-30-03	Revenues		Expenditures		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved <sup>1</sup>	Unreserved	Unrestricted	Restricted
317	CAPITAL PROJECTS	\$20,860,548	109,225	0%	9,359,987	23%	(9,250,762)	16,871,211	(5,261,425)	9,351,401	
327/328	HOUSING	\$24,240,428	55,374	1%	3,315,584	39%	(3,260,210)	18,059,426	\$2,920,791	2,967,079	
<b>TOTAL CAPITAL PROJECT FUNDS</b>		<b>\$45,100,976</b>	<b>164,599</b>	<b>1%</b>	<b>12,675,571</b>	<b>26%</b>	<b>(12,510,972)</b>	<b>34,930,637</b>	<b>(2,340,634)</b>	<b>12,318,480</b>	
<b>SUMMARY BY FUND TYPE</b>											
	CAPITAL PROJECTS GROUP	\$45,100,976	164,599	1%	12,675,571	26%	(12,510,972)	34,930,637	(2,340,634)	12,318,480	
<b>TOTAL ALL GROUPS</b>		<b>\$45,100,976</b>	<b>164,599</b>	<b>1%</b>	<b>12,675,571</b>	<b>26%</b>	<b>(12,510,972)</b>	<b>34,930,637</b>	<b>(2,340,634)</b>	<b>12,318,480</b>	
<b>TOTAL CASH AND INVESTMENTS</b>										<b>12,318,480</b>	

<sup>1</sup> Amount reserved for encumbrances, fixed asset replacement, long-term receivables



**Redevelopment Agency**  
**Year to Date Revenues - Fiscal Year 2003/04**  
**For the Month of September 2003**  
**25% of Year Complete**

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGETED	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCREASE (DECREASE) FROM PRIOR YTD	% CHANGE
<b>CAPITAL PROJECTS FUNDS</b>							
<b>317 CAPITAL PROJECTS</b>							
Property Taxes & Supplemental Roll	14,086,573	14,086,573	103,617	1%	256,849	(153,232)	-60%
Development Agreements				n/a	-	-	n/a
Interest Income, Rents			2,977	n/a	34,232	(31,255)	-91%
Other Agencies/Current Charges	<u>9,450,000</u>	<u>23,536,573</u>	<u>2,631</u>	<u>0%</u>	<u>3,550</u>	<u>(919)</u>	<u>-26%</u>
<b>TOTAL CAPITAL PROJECTS</b>	<b><u>23,536,573</u></b>	<b><u>23,536,573</u></b>	<b><u>109,225</u></b>	<b><u>0%</u></b>	<b><u>294,631</u></b>	<b><u>(185,406)</u></b>	<b><u>-63%</u></b>
<b>327/328 HOUSING</b>							
Property Taxes & Supplemental Roll	3,791,085	3,791,085	25,904	1%	3,820	22,084	578%
Interest Income, Rent	45,364	45,364	28,939	64%	12,028	16,911	141%
Other	<u>90</u>	<u>90</u>	<u>531</u>	<u>590%</u>	<u>420</u>	<u>111</u>	<u>26%</u>
<b>TOTAL HOUSING</b>	<b><u>3,836,539</u></b>	<b><u>3,836,539</u></b>	<b><u>55,374</u></b>	<b><u>1%</u></b>	<b><u>16,268</u></b>	<b><u>39,106</u></b>	<b><u>240%</u></b>
<b>TOTAL CAPITAL PROJECTS FUNDS</b>	<b>27,373,112</b>	<b>27,373,112</b>	<b>164,599</b>	<b>1%</b>	<b>310,899</b>	<b>(146,300)</b>	<b>-47%</b>



**Redevelopment Agency**  
**Year to Date Expenditures - Fiscal Year 2003/04**  
**For the Month of September 2003**  
**25% of Year Complete**

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENDITURES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENDITURES	OUTSTANDING ENCUMBRANCES	TOTAL ALLOCATED	% OF TOTAL TO BUDGET
317 CAPITAL PROJECTS								
	BAHS Administration	95,776	1,509,317	1,598,923	296,292	70,685	366,977	23%
	BAHS Economic Development	6,208	4,516,120	8,204,443	3,401,430	248,687	3,650,117	44%
	BAHS CIP	<u>307,011</u>	<u>21,320,714</u>	<u>30,161,249</u>	<u>5,662,265</u>	<u>14,280,155</u>	<u>19,942,420</u>	<u>66%</u>
	<b>TOTAL CAPITAL PROJECTS</b>	<b><u>408,995</u></b>	<b><u>27,346,151</u></b>	<b><u>39,964,615</u></b>	<b><u>9,359,987</u></b>	<b><u>14,599,527</u></b>	<b><u>23,959,514</u></b>	<b><u>60%</u></b>
327 AND 328 HOUSING								
	Housing	<u>96,774</u>	<u>4,592,332</u>	<u>8,538,767</u>	<u>3,315,584</u>	<u>40,739</u>	<u>3,356,323</u>	<u>39%</u>
	<b>TOTAL HOUSING</b>	<b><u>96,774</u></b>	<b><u>4,592,332</u></b>	<b><u>8,538,767</u></b>	<b><u>3,315,584</u></b>	<b><u>40,739</u></b>	<b><u>3,356,323</u></b>	<b><u>39%</u></b>
	<b>TOTAL CAPITAL PROJECT FUND</b>	<b>505,769</b>	<b>31,938,483</b>	<b>48,503,382</b>	<b>12,675,571</b>	<b>14,640,266</b>	<b>27,315,837</b>	<b>56%</b>





**Redevelopment Agency of the City of Morgan Hill**  
**Balance Sheet Report - Fiscal Year 2003/04**  
**For the Month of September 2003**  
**25% of Year Complete**

	<b>CAPITAL PROJECTS (Fund 317)</b>	<b>Housing (Fund 327/328)</b>
<b>ASSETS</b>		
Cash and investments:		
Unrestricted	9,351,402	2,967,079
Accounts Receivable	3,200	7,806
Loans and Notes Receivable <sup>1</sup>	3,366,625	24,304,941
Advance to Other Funds		
Fixed Assets <sup>2</sup>	71,049	
Other Assets		
<b>Total Assets</b>	<b>12,792,276</b>	<b>27,279,826</b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	16,500	13,354
Deferred Revenue <sup>3</sup>	1,165,990	6,286,255
Accrued Vacation and Comp Time		
<b>Total liabilities</b>	<b>1,182,490</b>	<b>6,299,609</b>
<b>FUND BALANCE</b>		
Fund Balance		
Reserved for:		
Encumbrances	14,599,527	40,739
Advance to Other Funds		
Properties Held for Resale	71,049	
Loans and Notes Receivable	2,200,635	18,018,687
<b>Total Reserved Fund balance</b>	<b>16,871,211</b>	<b>18,059,426</b>
Unreserved Fund Balance	-5,261,425	2,920,791
<b>Total Fund Balance</b>	<b>11,609,786</b>	<b>20,980,217</b>
<b>Total Liabilities and Fund Balance</b>	<b>12,792,276</b>	<b>27,279,826</b>

<sup>1</sup> Includes Housing Rehab loans and loans for several housing and Agency projects.

<sup>2</sup> Includes RDA properties held for resale.

<sup>3</sup> Includes the deferred payment portion of the loans noted above.



## **REDEVELOPMENT AGENCY**

**MEETING DATE:** *October 22, 2003*

### **HOUSING REHAB LOAN FOR GONG INVESTMENT GROUP**

#### **RECOMMENDED ACTION(S):**

1. Approve an additional \$20,000 home improvement loan under the Agency's Housing Rehabilitation Loan Program for the Gong Investment Group.
2. Direct the Executive Director to do everything necessary to prepare and execute loan documents or amend existing documents.

**EXECUTIVE SUMMARY:** In January 2003, the Housing Rehab Loan Committee approved the maximum loan amount of \$40,000 for Gong Investment Group who own the housing unit located at 55 Wright Avenue. The house is a single family 1,000 square foot, two bedroom, one bathroom, low income dwelling. It is in poor condition and requires major repairs to the entire structure to make it habitable (see attached pictures). Repairs started in September 2003 and the rough framing is complete. Staff expects the cost of repairs to be \$55,000 to \$60,000 total. Initially Gong Investment Group agreed to finance \$40,000 through the Home Improvement Loan Program and self fund repairs over this amount. However, it is unclear if Gong Investment Group has the ability to manage the project to a completed condition expected by staff.

In October of 2003 the loan committee approved a recommendation that the Agency award \$20,000 more with the same terms. The terms of the \$40,000 loan are 3.75% with full interest and principle payments for 5 years with a 2% early pay off penalty. A low income tenant must occupy the home for the term of the loan. By funding the repairs through the Housing Rehab Loan Program, we would ensure proper project management and funding to complete the project to our expectations.

**FISCAL IMPACT:** There is \$400,000 budgeted under 327-86420-7100 account using 20% set aside funds for projects such as this. No budget adjustment required.

**Agenda Item # 2**

**Prepared By:**

**BAHS Housing Rehab  
Coordinator**

**Approved By:**

**BAHS Director**

**Submitted By:**

**City Manager**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: October 22, 2003***

### **TITLE: AGREEMENT WITH THE STROMBOTNE LAW FIRM**

#### **RECOMMENDED ACTIONS:**

Authorize the City Manager to execute an Agreement with the Strombotne Law Firm.

#### **EXECUTIVE SUMMARY:**

The City contracted with the Strombotne Law Firm to assist the City with its defense in the complaint filed by Oregon Mutual Insurance Company. The attached Consultant Agreement is in the amount of \$30,000. It is anticipated that this amount will be sufficient to cover fees and costs associated with the initial stages of the Oregon Mutual Insurance Company lawsuit. Therefore, staff is recommending that Council approve the attached Consultant Agreement in the amount of \$30,000.

#### **FISCAL IMPACT:**

The cost of this agreement can be accommodated in the City Attorney's Office budget. No additional appropriation is necessary at this time.

**Agenda Item # 3**

**Prepared By:**

\_\_\_\_\_  
(Title)

**Approved By:**

\_\_\_\_\_  
(Department Director)

**Submitted By:**

\_\_\_\_\_  
City Manager



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: October 22, 2003***

### **TITLE: AMENDMENT TO AGREEMENT WITH THE LAW FIRM OF RUTAN AND TUCKER**

#### **RECOMMENDED ACTIONS:**

Authorize the City Manager to execute an Amendment to Agreement with the law firm of Rutan and Tucker.

#### **EXECUTIVE SUMMARY:**

The City contracted with the firm of Rutan and Tucker to assist the City with its defense in the lawsuit filed by the San Jose Christian College. This matter is currently before the Ninth Circuit Court of Appeal. The current contract for \$20,000 is insufficient to cover the fees and expenses associated with the Court of Appeal action. Therefore, staff is recommending that Council approve the attached amendment to agreement increasing the contract amount to \$40,000. This amount should be sufficient to cover the fees and costs associated with the anticipated resolution of the Court of Appeal action.

#### **FISCAL IMPACT:**

The cost of this agreement can be accommodated in the City Attorney's Office budget. No additional appropriation is necessary at this time.

**Agenda Item # 4**

**Prepared By:**

\_\_\_\_\_  
**(Title)**

**Approved By:**

\_\_\_\_\_  
**(Department Director)**

**Submitted By:**

\_\_\_\_\_  
**City Manager**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: OCTOBER 22, 2003***

### **APPROVE CHANGE ORDER FOR LIFT STATION B**

**RECOMMENDED ACTION(S):** Approve change order in the amount of \$28,000 to construct a retaining wall along the service road adjacent to Lift Station B and to provide additional erosion control measures to prevent silt runoff from entering private property.

**EXECUTIVE SUMMARY:** On April 2, 2003, Council awarded the contract for Modification of Lift Station B Sewage Pump Station to Trinet Construction, Inc. for \$492,800, which includes a ten percent contingency of \$44,800, CIP project #304093. The scope of work included demolition, excavation, concrete walls and wet well, pumps, forcemain, landscaping and all other appurtenances to completely upgrade the facility.

Before construction began, the City Inspector held a meeting with the property owners adjacent to or near the project site. They expressed concern over the poor condition of the existing paved service road and the additional damage due to construction related vehicles. Since the Public Works Maintenance Division had already set aside funds for this work, we agreed to overlay the utility service road when the project was completed.

Four change orders totaling \$38,808.66 have been approved thus far, leaving a balance of \$5,991.34. The change order work included; addition of asphalt overlay of service road, excavation through heavier than anticipated rock deposits, installation of remote telemetry unit, and fire code requirement upgrades for the emergency generator.

After the lift station structure was complete, it became apparent that the new structure had encroached into and partially blocked the existing utility service road. After discussions with property owners and the fire department, Staff decided that the service road should remain in use. In order to restore access to the service road, a short retaining wall is necessary. Trinet submitted a proposal to perform this work for a cost not to exceed \$21,000. Due to the increase in scope, the project is now entering the rainy season. Residents have also expressed their concerns and therefore Staff decided that additional temporary and permanent erosion control measures are needed to control soil erosion. Trinet submitted a proposal to perform this work for approximately \$7,000. Staff recommends that Council approve the change order for Trinet Construction in the amount of \$28,000.

**FISCAL IMPACT:** No additional funding is required. The funding breakdown for the additional \$28,000 is as follows: \$13,000 from 03/04 Sewer Operations funds for the overlay work (Fund 640) and \$15,000 from Sewer Replacement funds (Fund 643) carried over from the 2002-03 Capital Improvement Program, Project #304093.

**Agenda Item # 5**

**Prepared By:**

**Associate Engineer**

**Approved By:**

**Public Works Director**

**Submitted By:**

**City Manager**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: October 22, 2003***

### **COMMUNITY INDOOR RECREATION CENTER**

### **APPROVAL OF SCHEMATIC DESIGN**

#### **RECOMMENDED ACTION(S):**

- 1) Approve Subcommittee Recommendations for: A) Schematic Design and B) Approval to attain a LEEDS "Certification" Level.
- 2) Direct Staff and Architect to begin Design Development Drawings.

**EXECUTIVE SUMMARY:** On August 20, 2003 Council approved Programming Spaces and Conceptual Site Design. Over the past two months staff has developed further the Programming Spaces and Site Design and developed Building Floor Plans and Building Elevations. Development of these items has resulted from input gathered from two Subcommittee meetings, two Parks and Recreation Workshops in addition to two regularly scheduled Parks and Recreation Commission Meetings, and staff presentations to the Senior and Youth Advisory Committees, Architectural Review Board, and Development Review Committee Meetings.

Staff needs Council's approval tonight for Schematic Design relative to 1) Programming Spaces 2) Site Design 3) Building Floor Plan and 4) Building Elevations. Council's approval of Schematic Design tonight will allow staff to proceed with the Design Development over the next 5 months per the approved Project Schedule.

Attached Exhibit A summarizes the history of the Building Programming Spaces. The column headed "October 22, 2003" identifies the Programming Spaces included in the Schematic Design proposed for Council's approval tonight.

Exhibits B, C, D, and E depict the Site, Floor, and Roof Plans and Building Elevation Designs proposed for Council's approval tonight as a part of Schematic Design process.

Attached as Exhibit F is a Preliminary Schematic Design Cost Estimate prepared by Noll & Tam Architects. The Summary on page 1 of 12 shows the Estimate of Cost for Construction plus Escalation Costs to be over the Project Budget by approximately \$800,000. Tonight staff will provide Council a list of cost savings recommended by the Subcommittee to bring the Schematic Design Cost Estimate to within the approved Project Budget. Staff has used the services of Nova Partners, Inc. to perform an independent Cost Estimate Validation of the Noll & Tam Estimate. The results of Nova Partners, Inc. review will also be presented to Council tonight.

"LEEDS"- Leadership in Energy and Efficiency Design. A Workshop was held on August 6, 2003 involving all the Design Consultants for the Building. A Priorities Matrix was developed identifying all the potential points that could be gained toward the LEEDS process. Since that time the cost implications of various LEEDS levels have been analyzed by Noll & Tam Architects. Based on their input, the Subcommittee recommends attaining a level of "Certification" for the Community Indoor Recreation Center. This may be accomplished with or without attaining the formal certification document. The Certification Level can be obtained at no additional cost. Noll & Tam Architects will present more detail on the Subcommittee recommendation for LEEDS at tonight's meeting.

Attached also are the Project Budget and Schedule.

The next step in the Design Process is to proceed to Design Development returning to Council in March of 2004 for Final Project Approval prior to proceeding to the Contract Document Phase.

**FISCAL IMPACT:** As identified in this report, \$800,000 in savings must be attained to keep this project within budget.

**Agenda Item # 6**

**Prepared By:**

\_\_\_\_\_  
**Dep Dir  
PW/Operations**

**Approved By:**

\_\_\_\_\_  
**Public Works Director**

**Submitted By:**

\_\_\_\_\_  
**City Manager**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: October 22, 2003***

**Agenda Item #7**

**Prepared By:**

**Council Services &  
Records Manager/  
City Clerk**

**Submitted By:**

**City Manager**

### **DISCUSSION REGARDING TOBACCO PREVENTION**

**RECOMMENDED ACTION(S):** Provide Direction to Staff on how the Council Would Like to Proceed with Tobacco Prevention.

#### **EXECUTIVE SUMMARY:**

At the October 1, 2003 City Council meeting, the Council received a presentation from Sal Murillo with the Santa Clara County Department of Public Health, on a Tobacco Prevention and Education Program. Mr. Murillo informed the City Council that a survey was conducted in January 2002 in which it was found that 8 of 18 stores in Morgan Hill sold tobacco products to minors.

The Council also heard from Dolores Alvarado, a resident and mother, who requested that the Council take the following actions: 1) enforce the current laws on the books by limiting window advertisement to the 25% limit; 2) strengthen City ordinances to counter the proliferation of advertisement, including tobacco advertisement, by banning all forms of portable signs; 3) ban all forms of tobacco from self service displays; and 4) consider licensure as a possible measure.

As Mr. Murillo's presentation on Tobacco Prevention and Education was not agendaized for Council action at the October 1 meeting. Therefore, the Council could not discuss or direct staff on this topic. At Council Member Tate's request, this topic has been agendaized for Council discussion and direction to staff. Staff has attached the material distributed by Mr. Murillo at the October 1 meeting. Also, attached is Chapter 8.44, Smoking Pollution Control, of the Municipal Code for Council reference.

**FISCAL IMPACT:** No fiscal impacts associated with the preparation of this staff report.



## REDEVELOPMENT AGENCY/CITY COUNCIL STAFF REPORT

**MEETING DATE:** October 22, 2003

**Agenda Item # 8**

**Approved By:**

\_\_\_\_\_  
**BAHS Director**

**Submitted By:**

\_\_\_\_\_  
**Executive Director**

### FINANCIAL ASSISTANCE TO JOHNSON LUMBER

**RECOMMENDED ACTION(S):** Authorize the City Manager/Executive Director to negotiate and prepare the necessary agreements with Johnson Lumber to provide for: 1) the sharing of sales tax revenue based on performance, 2) a double façade grant, and 3) the commitment to install any required sound wall/fence along the future extension of Butterfield Blvd.

**EXECUTIVE SUMMARY:** Over the past two years, Johnson Lumber has been in the process of expanding its operations. They are currently improving their parking lot and installing a new racking system for their lumber. Part of their expansion plan includes doubling the size of their current retail operations. However, Johnson Lumber indicates their latest cost estimate shows a \$300,000-\$400,000 gap between their financing sources and construction costs. Given this gap, Johnson Lumber has indicated they will be unable to continue with their development plans unless the Agency/City can provide assistance to help “fill” the gap.

The Council’s Economic Development Subcommittee (ED Subcommittee) has reviewed this request and is recommending that Johnson Lumber be given a \$230,000 loan. The ED Subcommittee found that this request was consistent with the City’s Economic Development Strategy and the Agency’s business assistance guidelines. Given that Home Depot is coming to town, the ED Subcommittee structured a proposal that: 1) provides an incentive for Johnson Lumber to exceed sales expectations and 2) recognizes that the city-wide sales tax category (i.e., building, materials, wholesale) that Johnson Lumber falls into must also do better as a whole for the City to realize any net economic benefits.

The general terms of the proposal are as follows:

- The Agency will make an interest free loan of \$230,000 to Johnson Lumber.
- The loan will be deferred for ten years and repaid from sales tax rebates up to a maximum amount of \$230,000.
- Johnson Lumber must repay any outstanding balance due the Agency at the end of the loan term.
- This assistance is in addition to the double façade grant and installation of a sound wall/fence along the future Butterfield Blvd. extension. We agreed to previously recommend this level of assistance for Johnson Lumber when the identified financing gap was significantly smaller.
- Johnson Lumber agrees to operate its lumber and hardware store for ten years.
- Johnson Lumber must meet certain performance standards in order to receive a sales tax “rebate.” The attached Tables A and B shows the “baseline amounts” that Johnson Lumber must exceed as a business in order to qualify for a sales tax rebate. Table A also indicates the percentage used to calculate the sales rebate for each threshold. Table B shows the overall “threshold” for taxable sales for the building, materials, wholesale category that must be met in order for Johnson Lumber to receive payments as described in Table A. In the event the thresholds described in Tables A and B are not met, Johnson Lumber will not be eligible to receive any sales tax rebates for that year
- These rebates will not be paid directly to Johnson Lumber, but rather will be credited against the outstanding loan balance.

**FISCAL IMPACT:** None at this time



TABLE A- Payment Schedule

Baseline Amount in Annual Taxable Sales	Baseline Amount in Tax Revenue Collected By the City attributed to Taxable Sales	Calculation of sales tax rebate to be used to repay the loan
\$20,000,000	\$200,000	50% times each tax revenue dollar collected above \$200,000 for the year
\$22,000,000	\$200,000	55% times each tax revenue dollar collected above \$200,000 for the year
\$25,000,000	\$200,000	60% times each tax revenue dollar collected above \$200,000 for the year

TABLE B- Overall Category Threshold

Threshold Amount in Annual Taxable Sales	Action
\$37,500,000	If the category exceeds \$37,500,000 less the taxable sales attributed to Home Depot, then Johnson Lumber can receive payments per Table A above or
\$57,500,000	If the category exceeds \$57,500,000 for the year, then Johnson Lumber can receive payments per Table A above.



## JOINT CITY COUNCIL/ REDEVELOPMENT AGENCY STAFF REPORT

**MEETING DATE:** October 22, 2003

### **LEASE WITH THE CALIFORNIA YOUTH SOCCER ASSOCIATION (CYSA)**

**Agenda Item # 9**

**Approved By:**

**BAHS Director**

**Submitted By:**

**Executive Director**

**RECOMMENDED ACTION(S):** Provide parameters for negotiating a lease extension with CYSA to continue using the future location of the sports complex as a CYSA regional soccer complex.

#### **EXECUTIVE SUMMARY:**

In July 2001, the Redevelopment Agency purchased the 35 acre site commonly known as the regional soccer complex located on Condit Road between San Pedro and Barrett Avenues. The site is currently being leased to CYSA for use as a regional soccer complex. The current lease with CYSA runs from July 2002 thru December 2003. CYSA is responsible for all maintenance and repair of the facility as well as all utility costs. CYSA is requesting that the current lease be extended through December 2004 (see attached letter). This will allow them time to make other arrangements should the facility be unavailable for their use. CYSA is not proposing any other amendments at this time. However, before staff begins to negotiate an extension with CYSA, we would like direction from the Agency regarding the following lease issues:

#### Should we extend the term?

It seems unlikely that the new regional soccer complex at Sobrato will be ready to go any earlier than a year from now. Also, given the uncertainty of the scope and funding for the future sports complex, a 12 month extension thru December 2004 should not impact the development of the sports complex.

#### Is the current rent adequate?

We have continued the bargain rent established by the prior owner adjusted only for CPI. The current lease rate is \$25,259.50 adjusted annually based on the CPI. It appears CYSA may be expanding its revenue opportunities themselves through sub leasing the fields and through expanded concessions. However, CYSA has indicated they cannot afford to pay a higher lease rate. Attached are selected pages from CYSA's audited financial statements for 2001 and 2002. The statements show that the expenditures for the complex exceed revenues.

#### Does the City want more control over the use of the facility?

Currently, the Agency may use the facility a minimum of four days during the lease period. However, no provisions exist for allowing other local or public agencies to use the facility or giving them a priority for use. We would like to know if the Agency wants to make the facility available for use by other public entities during the days CYSA is not using the facility and, if so, the number of days for such uses.

#### Is the maintenance of the property adequate?

Recently, some neighbors and users of the complex have complained about the maintenance of the buildings and parking lot. However, CYSA has been responsive to these complaints when informed by city staff.

**FISCAL IMPACT:** The Agency will receive over \$25,000 per year in lease revenues.



## **CITY COUNCIL STAFF REPORT**

**MEETING DATE:** *October 22, 2003*

### **ENDORSEMENT OF THE VALLEY TRANSPORTATION AGENCY'S (VTA) COMMUNITY DESIGN AND TRANSPORTATION PROGRAM AND BEST PRACTICES MANUAL**

#### **RECOMMENDED ACTION(S):**

Adopt Resolution endorsing VTA's Community Design and Transportation Program and its Manual of Best Practices for Integrating Transportation and Land Use.

**EXECUTIVE SUMMARY:** The Santa Clara Valley Transportation Agency (VTA) is requesting the City endorsement of VTA's Community Design and Transportation (CDT) Program and the CDT Manual of Best Practices for Integrating Transportation and Land Use. The CDT Program is an extension of the VTA's countywide long-range transportation plan, Valley Transportation Plan (VTP) 2020. The 2020 Plan contains land use strategies designed to support the goal of improving the efficiency of the County's transportation systems and the overall quality of life for residents, workers and visitors alike. The CDT program was developed by VTA to promote these strategies and enhance the way we plan, design, fund, and build our communities.

The first major work product of the CDT Program is a comprehensive "how-to" *Manual of Best Practices for Integrating Transportation and Land Use*. This manual provides design guidelines, planning tools, and policy guidance for coordinating transportation and land use in projects across the county. It also includes visualization tools that help show what these principles look like on the ground, as well as discussion of implementation issues integral to putting these Best Practices to work.

On November 7, 2002, the VTA Board of Directors adopted the CDT program principles and practices presented in the Best Practices Manual. Following the Board's adoption, VTA Member Agencies - the cities and County of Santa Clara - have been asked to make commitments to incorporate the Principles and Practices into our respective planning, design, and approval processes. Endorsement of the CDT Program and Best Practices Manual and implementation of the programs Principles within specific projects, will improve the City's prospects to receive funding under VTA's Best Practices Fund, Livable Communities and Pedestrian Program, Bicycle Program Fund, and Local Streets and County Roads Program Fund.

Staff and Planning Commission have reviewed the CDT Program and the Best Practices Manual and find that the Program and Manual are consistent with the City's General Plan as outlined in the attached memorandum. The Planning Commission, at their October 14, 2003 meeting, voted 6-1 to recommend the City Council endorse VTA's Community Design and Transportation Program and its Manual of Best Practices for Integrating Transportation and Land Use.

**FISCAL IMPACT:** No budget adjustment required.

**Agenda Item # 10**

**Prepared By:**

**Planning Manager**

**Approved By:**

**Community  
Development Director**

**Submitted By:**

**City Manager**



## **MEMORANDUM**

**To: CITY COUNCIL**

**Date: October 22, 2003**

**From: COMMUNITY DEVELOPMENT DEPARTMENT**

**Subject: ENDORSEMENT OF THE VALLEY TRANSPORTATION AGENCY'S  
(VTA) COMMUNITY DESIGN AND TRANSPORTATION PROGRAM  
AND BEST PRACTICES MANUAL**

### **REQUEST**

A request to endorse the Valley Transportation Agency's Community Design and Transportation (CDT) Program and the CDT Manual of Best Practices for Integrating Transportation and Land Use.

### **INTRODUCTION**

Embodied in Santa Clara Valley Transportation Authority's (VTA) countywide long-range transportation plan, Valley Transportation Plan (VTP) 2020, are land use strategies designed to support the goal of improving the efficiency of the County's transportation systems and the overall quality of life for residents, workers and visitors alike. The *Community Design & Transportation Program* (CDT) was developed by VTA to promote these strategies and enhance the way we plan, design, fund, and build our communities.

The CDT Program can assist Morgan Hill with:

- Planning and Visioning efforts
- Pedestrian and bikeway enhancements
- Streetscape enhancements
- Improvements to transit facilities
- Research and advice on the design and location of new development

### **THE PROGRAM**

VTA's *Community Design & Transportation (CDT) Program* has adopted new models for land use and transportation planning intended to respond to the changing lifestyles and travel needs of residents and workers in Santa Clara County. These models are intended to provide mobility

and livability options based on proven traditions of urban design, transportation planning, and development.

VTA expects to invest billions of dollars in transportation improvements in the coming decades. The *CDT Program* will be VTA's primary tool to promote projects, practices and policies that better integrate transportation systems and land uses.

The *CDT Program* looks beyond boundaries of jurisdiction and discipline. It identifies the elements of good development and multimodal transportation systems, and seeks to build support for common and consistent application. A successful outcome requires that elements of good development and multimodal transportation systems be clearly identified, well understood, and embraced by staff, our decision-makers (the Planning Commission, City Council, etc.), and community members, as well as the development and business community.

The *CDT Program* will create an active partnership between VTA, the cities, and the county with ongoing participation by local government staff and decision-makers. The program's objectives include:

- **Enhancing the quality of life** for residents and workers,
- **Developing a comprehensive manual** of Best Practices for Integrating Transportation and Land Use tailored to specific issues in Santa Clara County.
- **Defining Best Practices** in planning and design, with the understanding that they may vary from jurisdiction to jurisdiction.
- **Providing a "Common Platform"** from which all parties interested in improving the built environment can work constructively together.
- **Identifying steps toward implementation of Best Practices** that VTA and Member Agencies can take with a realistic approach toward implementation.
- **Assisting cities with implementing Best Practice type-projects**
- **Involving all stakeholders** in a process of education, outreach, and implementation.
- **Forging strong and effective partnerships** between local jurisdiction, other public agencies, developers and financial institutions and the public.
- **Fostering sustainable building patterns** that improve quality of life for residents, workers, and visitors.
- **Generating a favorable political climate** in concert with community support so local jurisdictions can better craft and adapt policies that support the program principles and community goals.

## **A Manual of Best Practices for Integrating Transportation & Land Use**

The first major work product of the Community Design and Transportation Program is a comprehensive "how-to" *Manual of Best Practices for Integrating Transportation and Land Use*. This manual provides design guidelines, planning tools, and policy guidance for coordinating transportation and land use in projects across the county. It also includes visualization tools that help show what these principles look like on the ground, as well as discussion of implementation issues integral to putting these Best Practices to work. The Manual is intended to be a living

document, adaptable and responsive to new design practices and innovations, opportunities, and changing environments.

The Best Practices vision outlined in the manual is comprised of a series of principles that, when implemented concurrently, help to establish community character and identity, encourage residents and workers to walk, bike and take transit, and support a higher quality of life.

## **PROGRAM COMMITMENT**

The VTA Board of Directors has adopted the program principles and practices presented in the Manual. Following the Board's adoption, VTA Member Agencies - the cities and County of Santa Clara – have been asked to make commitments to incorporate the Principles and Practices into our respective planning, design, and approval processes.

### **Implementation & Funding**

To help local jurisdictions implement Best Practice-type projects, VTA is pursuing linkages between its *CDT Program* and the grant funding programs it administers. Four grant fund categories are currently being linked with the *CDT Program*:

- The Best Practices Fund: provides planning grant money for projects that implement the spirit of the *CDT Program* through local plans, changes to regulations, visioning exercises, or innovative design
- Livable Communities and Pedestrian Program: funds capital projects
- Bicycle Program: funds capital projects
- Local Streets and County Roads Program: funds capital projects

Projects that embody the spirit of Best Practices will have scoring advantages over projects that do not.

## **CONSISTENCY WITH MORGAN HILL PLANNING**

Many of the principles contained in the Best Practices Manual are consistent with the City's General Plan and the recently approved Downtown Plan. The Best Practices Manual incorporates the following Principles:

- Target growth to core areas, corridors and station areas
- Intensify land use activities
- Provide a diverse mix of uses
- Design for pedestrians
- Focus on existing areas
- Create a multimodal transportation system
- Establish streets as places
- Integrate Transit
- Manage parking

These Principles are consistent with the following General Plan Policies:

Land Use (LU) Policy 13 h: *Encourage a mixture of uses in the downtown that will promote its identity as a cultural and activity center of the City.*

LU Policy 13j: *Locate Cal Train and other transit stops convenient to the downtown, focusing on transit- and pedestrian-oriented development.*

Circulation (CIRC) Policy 1c: *Provide a balanced transportation system which assures access to all, and which integrates appropriate modes of transportation into an effectively functioning system including such modes as auto, ridesharing, public transit, bicycling and walking.*

CIRC Policy 2e: *Integrate planning for land use and transportation development by insuring that the timing, amount, and location of urban development is consistent with the development of the transportation system capacity and that land uses are designed to promote use of appropriate transportation modes.*

Action Item 2.1 under the Circulation Element states that the City should “*support the VTP 2020 Plan and actions to update and expand this planning process.*”

The CDT Program and Best Practices Manual are an extension of the VTP 2020 Plan. Therefore, the City’s endorsement of the CDT Plan will help expand this planning process consistent with the above action.

Endorsement of the CDT Plan does not require the City to implement each and every principle contained in the Best Practices Manual; however, as stated above, to the extent that we incorporate these principles into our transportation and land use projects, the City will have a competitive advantage over other projects that receive funding within the CDT Program.

## **RECOMMENDATION**

Adopt attached resolution endorsing VTA’s Community Design and Transportation Program and its Manual of Best Practices for Integrating Transportation and Land Use.

Copies of the CDT Best Practices Manual were distributed to the City Council members the week of October 13. Please bring this document with you to Wednesday’s City Council meeting.

Attachments:

Resolution Endorsing the CDT Program and Manual.

## **RESOLUTION NO.**

### **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ENDORSING THE SANTA CLARA VALLEY TRANSPORTATION AGENCY'S COMMUNITY DESIGN AND TRANSPORTATION PROGRAM AND ITS MANUAL OF BEST PRACTICES FOR INTEGRATING TRANSPORTATION AND LAND USE.**

**WHEREAS**, the Santa Clara Valley Transportation Authority (VTA), in partnership with the cities, towns and County of Santa Clara, has developed a Community Design and Transportation (CDT) Program and a guiding Manual of Best Practices for integrating Transportation and Land Use; and

**WHEREAS**, on November 7, 2002, VTA adopted the CDT Program (Resolution No. 02.11.35) as its primary program for integrating transportation and land use, and the CDT Manual of Best Practices for Integrating Transportation and Land Use as the program's guiding document; and

**WHEREAS**, the City participated in the development of the CDT Program and the Manual of Best Practices for Integrating Transportation and Land Use; and

**WHEREAS**, the City recognizes that, to effectively meet the current and future needs of its changing community, transit, pedestrian, and multimodal roadway facilities must play increasingly important roles in the City's total transportation system; and

**WHEREAS**, to better meet the current and future needs of its community, the City desires a strengthened "transportation consciousness" between VTA and the City that is reflected within the City's individual departments and actions by the City Council; and

**WHEREAS**, to optimize the City's investments in, and utility of, transportation and urban services infrastructure, mixed-use, pedestrian-oriented developments should be located in urban cores, major transportation corridors, and transit station areas; and

**WHEREAS**, the purpose of this endorsement is to convey on behalf of the City and City Council a strong spirit of support for the concepts, principles, practices and actions conveyed in VTA's CDT Program's *Manual of Best Practices for Integrating Transportation and Land Use*; and

**NOW, THEREFORE, THE MORGAN HILL CITY COUNCIL DOES RESOLVE AS FOLLOWS:**

**SECTION 1.** It shall be the policy of the City to consider the concepts, principles, practices and actions conveyed in the CDT Manual of Best Practices for Integrating Transportation and Land Use in its planning, public works, and redevelopment projects, and in its project development, review and approval processes.



**SECTION 2.** The City will consider the identification and evaluation of opportunities to provide an integrated and interconnected system of transit services, pedestrian facilities, bicycle routes, and multimodal roadways in the preparation of the General Plan, Specific Plans, Community Plans, District Plans and similar planning documents.

**SECTION 3.** The City will identify and consider opportunities for creating multimodal streets and implementing alternative street design standards and strategies, as defined in VTA's Community Design and Transportation Program, and as identified by City Staff, in preparation of the General Plan, Specific Plans, District Plans, Community Plans and similar planning documents.

**SECTION 4.** The City will identify and consider existing and proposed train stations, bus stops, and transit centers as "opportunity areas" for pedestrian, bicycle, and transit infrastructure improvements.

**SECTION 5.** The City recognizes the core, major transportation corridor, and station area as identified in the CDT Manual of Best Practices for Integrating Transportation and Land Use and by the City as key areas to target future growth and implement the CDT concepts, principles, practices and actions.

**SECTION 6.** The City recognizes the public value in identifying and preserving right-of-way for transportation facilities such as streets, transit stops and stations, transit preferential facilities, and pedestrian and bicycle facilities in its planning and programming process, and as applicable, practicable and as opportunities permit.

**SECTION 7.** The City recognizes that need for, and benefits of, multi-jurisdictional coordination, cooperation, and participation in projects and processes that address transportation issues having cross-border or regional significance.

**SECTION 8.** The City will seek opportunities for partnership with VTA and neighboring jurisdictions to identify and pursue mutually beneficial studies, projects and funding agreements.

**PASSED AND ADOPTED** by the City Council of Morgan Hill at a Special Meeting held on the 22<sup>nd</sup> Day of October, 2003, by the following vote.

<b>AYES:</b>	<b>COUNCIL MEMBERS:</b>
<b>NOES:</b>	<b>COUNCIL MEMBERS:</b>
<b>ABSTAIN:</b>	<b>COUNCIL MEMBERS:</b>
<b>ABSENT:</b>	<b>COUNCIL MEMBERS:</b>

**🏛️ CERTIFICATION 🏛️**

**I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA,** do hereby certify that the foregoing is a true and correct copy of Resolution No. \_\_\_\_\_, adopted by the City Council at a Special Meeting held on October 22, 2003.

**WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.**

**DATE:** \_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, City Clerk**